

2013-14

MKHONDO LOCAL MUNICIPALITY

2013/14 – 2015/16 MTREF BUDGET

ANNUAL BUDGET REPORT

Municipal Budget Reporting Regulations (MBRR)

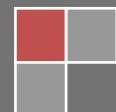


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PART 1 – ANNUAL BUDGET

1.2 EXECUTIVE MAYOR'S REPORT

The Honourable Executive Mayor of Mkhondo Local Municipality, Councillor BH Mtshali delivered his 2013/14 budget speech to Council Chamber on Thursday, 30 May 2013. The Executive Mayor's address sought the Council approval of a total budget of R402, 2million for the 2013/14 financial year inclusive of capital budget as per the provisions of Section 24 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

In its effort to increase the service delivery momentum in the 2013/14 financial year, the municipality will envisage spending acceleration of more than R102, 7million on various infrastructural development projects. A capital budget of R65, 3million approved MIG allocation will be spent on an intensive service delivery programme which will include the following; Water Reticulation Networks in Iswepe & Haartebeesfontein; Access roads in Kwa Thandeka; Access roads in eThandakukhanya; Bulk water to Piet Retief Ext.7 (Group 10); Iswepe & Haartebeesfontein Water Bulk line; Installation of Water Reticulation in Ext 6 & 8 Ethandakukhanya; Extension of Piet Retief Sewer Treatment Plant.

An additional budget of R24, 8million as an allocation on project implementation by the Gert Sibande District towards Mkhondo Local Municipality, has been tabled before Council for the Construction & refurbishment of roads in (Amsterdam/Kwa Thandeka/Eziphunzini); Amsterdam Sewer Plant; Driefontein Water Treatment Works; Regional bulk infrastructure (Dirkiesdorp/ Driefontein/ Manduduluza); Erection of Boreholes; Eziphunzini construction of roads; amongst other projects. In announcing the medium-term service delivery projects, the Executive Mayor said the provision of water, sanitation, roads, and electricity was the first objective as far as service delivery is concerned. "We believe that to a large extent, our 2013/14 budget embodies the strategic needs and developmental goals of our community, as we have had an opportunity to listen to our people in various wards during our IDP & Budget Review consultative meetings" the Executive Mayor highlighted. The second service delivery objective is to accelerate provision of services relating to repairing of our roads infrastructure and the drainage systems, and the third objective is to accelerate the provision of services relating to water supply and sanitation amongst others solid waste, parks and gardens, to ensure environmental sustainability for all developments.

According to the Executive Mayor, the municipality will "Support provision of comprehensive services and ensure that communities can have access to services which are closer to them". All these community development programmes, said the Executive Mayor, are delivered in accordance with the African National Congress' 2009 election manifesto and service delivery promises. "Based on community needs and the resources of the municipality, the adopted five developmental priorities of Mkhondo Local Municipality are Basic Service Delivery; Municipal Institutional Development and Transformation; Local Economic Development; Financial Viability and Management; and Good Governance and Active Public Participation" the Executive Mayor said.

The Executive Mayor added that in setting out the service delivery programme, the wishes and desires of members of the public were taken into consideration, "There have been a number of inputs made by the community of Mkhondo during the public participation, some of which have also

found expression in this budget”. Community members had requested the Installation of toilets; Grading of roads; Installation of high mast lights; Water and electricity supply and Fencing of cemeteries. As part of an importance communication to consumers and members of the public, the Executive Mayor made the following announcements:

- According to the directive by National Energy Regulator of South Africa (NERSA), municipalities that have implemented 7% increase in 2013/14, National Treasury issued a guideline for municipalities to base their electricity tariffs increase by not more than 7% for the 2013/14 revenue projections on electricity trading services;
- A 6% increase on property and assessment rates in respect of residential and business properties, including vacant stands will result to a anticipated revenue on assessment rates of R25, 2million;
- R9million set aside as provision for indigent support based on 50 *kwh* of electricity per indigent household per month, and 6 *kl* of water per indigent household per month;
- R373.3 million set aside for municipal operational expenditure, and
- R102, 7million of municipal capital budget.

“We made a commitment to work collectively with all stakeholders in order to embrace the potential of young people so that we can address the challenge of having young people between the ages of 18 and 35 being unemployed. We have already signed a Memorandum of Understanding with the National Youth Agency last year in 2011, with an aim of ensuring that young people of Mkhondo do benefit from the programmes of youth development. In a bid to support youth development, Mkhondo Local Municipality establish a Youth Office which deals with equipping our youth with training development programmes and really focusing on the effective implementation of youth development programmes. The NYDA programmes and services have been designed to address the needs of small entrepreneurship and economic development initiatives particularly our youth. More than about (150) hundred and fifty young people have already been trained on small entrepreneurial business opportunities as well as encouraging economic development in Mkhondo area. Plans are underway to recruit additional unemployed youth of (180) about one hundred and eighty to participate in the Expanded Public Works Programmes (EPWP) in various labour intensive recruits such as fix-the-Potholes project, electrifications projects, water and sanitation projects” added the Executive Mayor.

1.3 COUNCIL RESOLUTION

The Executive Mayor of Mkhondo Municipality, Councillor BH Mtshali delivered his 2013/14 budget speech to Council Chamber on Thursday, 30 May 2013, for Council to consider the annual budget of the municipality for the financial year 2013/14. The Council approved and adopted the following budget resolutions in terms of section 24 of the Municipal Financial Management Act;

- Operational Budget
- Capital Budget
- Annual Tariffs list
- Budget Related Policies

1.4 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 67 were used to guide the compilation of the 2013/14 MTREF

The main challenges experienced during the compilation of the budget 2012/13 can be summarised as follows;

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships bare services from the municipality
- Other costs of doing business including repairs and maintenance of fleet operations

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPIX, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

Recommendations and Comments from PT in terms of section 22 of the MFMA on 2013/14 draft Budget Assessment were as follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a draft budget to, amongst others, the Provincial Treasury immediately after tabling the draft budget in Council. In turn, the Provincial Treasury must

provide views and comments on the draft budget and any budget-related policies and documentation, which must then be considered by Council when tabling the annual budget (section 23). The draft budget benchmarking engagements have been designed to give effect to these legislative requirements.

- The tariffs structure requires to be reviewed since most of the trading service are currently operating at the loss. Ideally trading services should trade at the profit of 10 per cent and economic services (refuse) should at least break even.
- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- 40% of the total capital budget should be allocated towards the renewal of existing infrastructure, currently it stands at 4% per cent.
- 15% of the MIG allocation should go towards sports development, in our 2013/14 capital budget, there's no allocation towards sports and development projects. It's recommended that 15% of the MIG allocation be ring-fenced in case such funds are requested back from the municipality by NT or Department of Sports and Recreation.
- Debt impairment and depreciation be budgeted in full amount of R84.2million, the two non-cash items will cause the budget to be in a deficit, however in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceed the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as fines and rental of facilities had to be readjusted to be more realistic.

1.5 Operating Revenue Framework

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

Consolidated MTREF Budget	Adjustment Budget 2012/13	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Total Operating Revenue	268,455,402	299,541,000	310,698,000	325,226,000
Total Operating Expenditure	268,444,151	373,275,000	383,370,000	406,212,000
(Surplus)/Deficit for the year	(11,251)	73,734,000	72,672,000	80,986,000
Total Capital Expenditure	96,212,848	102,668,000	123,042,000	135,346,000

Total operating revenue for 2013/14 financial year is R299.5, million, when compared to the 2013/14 Adjustments Budget of R268, 5million which translate to an increase of 11.5%. For the two outer years, operational revenue will increase by 4 and 5 per cent respectively.

Total operating expenditure for the 2013/14 financial year has been appropriated at R373, 3million and translates into a budgeted deficit of R73.7million as a result of factoring in the full debt impairment and depreciation amounts. When compared to the 2012/13 Adjustments Budget, operational expenditure has grown by 39 per cent in the 2013/14 budget and by 3 and 6 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R102.2million for 2013/14 is 7 per cent higher when compared to the 2012/13 Adjustment Budget.

Municipal Tariffs

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 67 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the National Treasury. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 6 per cent property rate tariffs increase for 2013/14 financial year will see a revenue projection of R25.2million as compared to the R23.8million in 2012/13 financial year. Reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R35 000 to it to bring the value to R50 000 which will be exempted from rates.

Rebates for residential will be 10%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 6 per cent increase from 1 July 2013 is contained below:

Table2 Comparison of proposed rates to levied for the 2013/14 financial year

Category	Approved tariffs (2012/13)	Budgeted tariffs (2013/14)
Residential	R0.00752	R0.00796
Business/Industrial	R0.00779	R0.00825
Agriculture	R0.00188	R0.00199
State owned	R0.00779	R0.00825
Psi	R0.00188	R0.00199
Vacant	R0.01353	R0.01435
Pbo	R0.00188	R0.00199

Sale of Electricity and impact of tariffs increase

NERSA recommended a 7 per cent on the municipal electricity tariff for 2013/14 annual budget compilation. Mkhondo Local Municipality has initially applied to NERSA for tariff application of 8% however during the NERSA workshop all municipalities were advised to remain below the 7 per cent which was approved and that tariffs will be effective in the new financial billing starting on the 01st July 2013.

Considering the Eskom increases, the consumer tariff had to be increased by 7 per cent to offset the additional ESKOM bulk purchase cost from 1 July 2013. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected that implementation of the inclining block tariffs will average the electricity consumption, which will have a positive impact on the low electricity consumption consumers.

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy which it was approved in Council during 2013/14 budget, it grants indigents household free electricity supply up to 50KWh and that threshold will continue in this 2013/14 financial year.

The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other - 5.9%
- Electricity Consumption KWh - 7%

Sales of Water and Impact of tariff increase

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a prepaid water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the prepaid meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R14.56 each month for every vacant stand excluding Council properties.

Table 3 Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current Amount Payable 2012/13	Approved Amount Payable 2013/14	Difference (Increase)	Percentage Change
0 -6	0	R3.28	R3.28	100%
7 – 20	R3.85	R4.08	R0.23	5.9%
21 – 40	R5.45	R5.77	R0.32	5.9%
41 – 60	R7.20	R7.62	R0.42	5.9%
61 - above	R7.60	R8.05	R0.45	5.9%

The free basic water will be provided to all household per month as may be amended from time to time to a maximum of 6kℓ.

By laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

Sanitation and Impact of tariffs increase

Tariff increase of 5.9% for sanitation has been approved as from 01 July 2013. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents

Table 4 Comparison between current sanitation charges and increases

Classification Monthly	Current Amount Payable	Approved Amount Payable	Difference (Increase)	Percentage Change
Stand – 1 st toilet	R30.20	R31.98	R1.78	5.9%
Consecutive toilet	R27.75	R29.39	R1.64	5.9%
2 & 3 stands	R25.35	R26.85	R1.50	5.9%
Backwash pools	R15.70	R16.63	R0.93	5.9%
Sewerage sludge p/c/m	R10.60	R11.23	R0.63	5.9%

Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 5.9% tariff on all categories of in terms of their classifications and waste bins.

Table5 Comparison between current Refuse removal charges and increases

Classification Monthly	Current Amount Payable	Approved Amount Payable	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R41.05	R43.47	R2.42	5.9%
From all other premises, per user	R103.80	R109.92	R6.12	5.9%
If more than two users jointly make use of a bulk container, per user	R108.60	R115.01	R6.41	5.9%
If two users jointly make use of a bulk refuse container, per user	R216.05	R228.80	R12.75	5.9%
Bulk refuse container per individual user.	R435.60	R461.30	R25.70	5.9%
Additional Waste - Landfill site per Ton	R26.55	R28.12	R1.57	5.9%

1.6 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- The SALGA's employee remuneration and other related contributions as well as the repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

**MP303 Mkhondo - Table A4 Consolidated Budgeted Financial Performance
(revenue and expenditure)**

Description R thousand	Ref 1	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework				
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15
<u>Expenditure By Type</u>													
Employee related costs	2	55,147	60,608	74,159	82,722	83,122	87,171	43,585	88,182	93,608	98,452		
Remuneration of councillors		6,583	4,898	8,262	9,796	9,796	10,165	5,930	10,333	10,712	11,355		
Debt impairment Depreciation & asset impairment	3 2	— 66,732	5,507 67,633	2,995 67,633	— —	— —	— —	— —	15,491 69,183	16,266 72,643	17,079 76,275		
Finance charges		1,926	1,881	1,694	945	545	625	365	1,940	2,037	2,139		
Bulk purchases	2	31,880	54,533	69,914	76,375	71,974	62,087	50,929	65,628	70,197	76,040		
Other materials	8	8,383	—	—	16,106	10,208	7,150	4,171	1,393	1,464	1,539		
Contracted services		—	—	—	7,433	11,803	24,946	12,473	16,124	18,328	19,333		
Transfers and grants		4,715	6,795	5,480	16,361	16,361	3,721	2,170	18,455	19,428	20,453		
Other expenditure	4, 5	46,617	46,402	66,692	60,437	56,529	53,580	26,790	86,545	78,687	83,547		
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—		
Total Expenditure		155,251	247,355	296,829	270,174	260,338	249,445	146,413	373,275	383,370	406,212		
Surplus/(Deficit)													
Transfers recognised - capital		59,194	(12,065)	(624)	30	11	13,466	3,219	(73,734)	(72,672)	(80,985)		
Contributions recognised - capital	6	34,581	12	41,908	59,081	59,081	40,178	40,178	65,623	72,185	79,404		
Contributed assets		—	—	—	—	—	—	—	—	—	—		
Surplus/(Deficit) after capital transfers & contributions		—	—	10,287	24,000	24,000	—	—	24,800	30,280	33,308		
Taxation		93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727		
Surplus/(Deficit) after taxation		93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727		
Attributable to minorities													
Surplus/(Deficit) attributable to municipality		93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727		
Share of surplus/ (deficit) of associate	7	—	—	—	—	—	—	—	—	—	—		
Surplus/(Deficit) for the year		93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727		

The budget allocation for employee related cost for the 2013/14 financial year totals to R98,3million, which equals 33 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement that has just came to an end for the wage agreement term, the salary increase has been factored into this budget at a percentage increase of 6.85 per cent for the

2013/14 financial year. The major budget implications was the filling of critical vacancies that existed and the organogram reviewed and costed, however, with limited sources of funding only most critical posts at service delivery departments were prioritised and those vacant but not yet funded will be priorities in the next coming adjustment budget if not coming 2014/15 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2013/14 next budget allocation as gazetted for remuneration of councillors has an amount of R2, 8million for councillors' remuneration as well as the stipend for the ward councillor's of R2, 4million which has been considered during the compilation of the 2013/14 Budget.

Finance charges consist primarily of the repayment of interest on long-term borrowing from DBSA (cost of capital) as well as bank charges. Finance charges make up 1 per cent (R1, 954million) of the budgeted operating expenditure.

Bulk purchases are directly informed by the purchase of electricity (R65, 5million & R1, 8) million respectively) from Eskom and DWA for water supply from Heyshope Dam to refill Mkhondo's water level. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other material comprises of amongst others the purchase of fuel, diesel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritised to ensure sustainability of the service delivery.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. The target is to register additional 10 per cent or more indigent households during the 2013/14 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.7 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Figure 1 Main Operational Expenditure

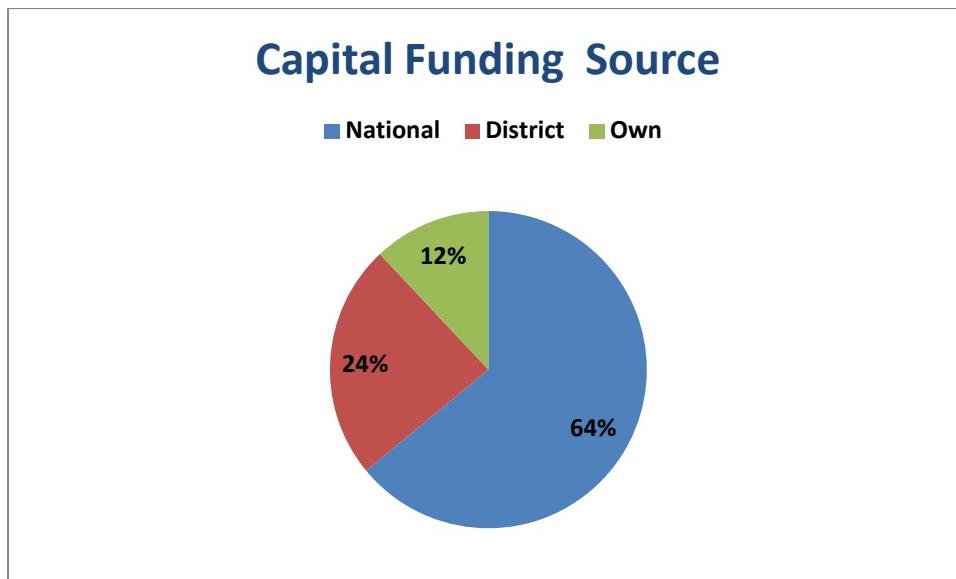


Table 7 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

MP303 Mkhondo - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref 1	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital Expenditure - Standard Governance and administration		834	217	2,126	5,490	5,920	5,705	5,705	3,190	4,313	4,744
Executive and council		–	1	1,011	–	–	–	–	–	–	–
Budget and treasury office		834	207	23	3,850	4,000	5,705	5,705	260	320	352
Corporate services		–	10	1,092	1,640	1,920	–	–	2,930	3,993	4,392
Community and public safety		2,533	–	1,698	2,120	50	–	–	1,030	4,396	4,835
Community and social services		93	–	1,048	–	–	–	–	–	4,396	4,835
Sport and recreation		–	–	–	50	50	–	–	–	–	–
Public safety		756	–	650	2,070	–	–	–	1,030	–	–
Housing		70	–	–	–	–	–	–	–	–	–
Health		1,613	–	–	–	–	–	–	–	–	–
Economic and environmental services		12,951	14	41,950	15,581	36,060	40,178	40,178	35,200	48,820	51,282
Planning and development		12,951	–	–	–	–	–	–	–	–	–
Road transport		–	14	41,950	15,581	36,060	40,178	40,178	35,200	48,820	51,282
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		21,631	259	16,968	73,286	53,913	–	–	63,248	65,513	74,484
Electricity		5,813	–	8,671	7,786	8,657	–	–	–	–	–
Water		15,817	163	464	33,620	26,374	–	–	27,548	28,113	33,344
Waste water management		–	96	5,932	26,130	13,130	–	–	35,700	37,400	41,140

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

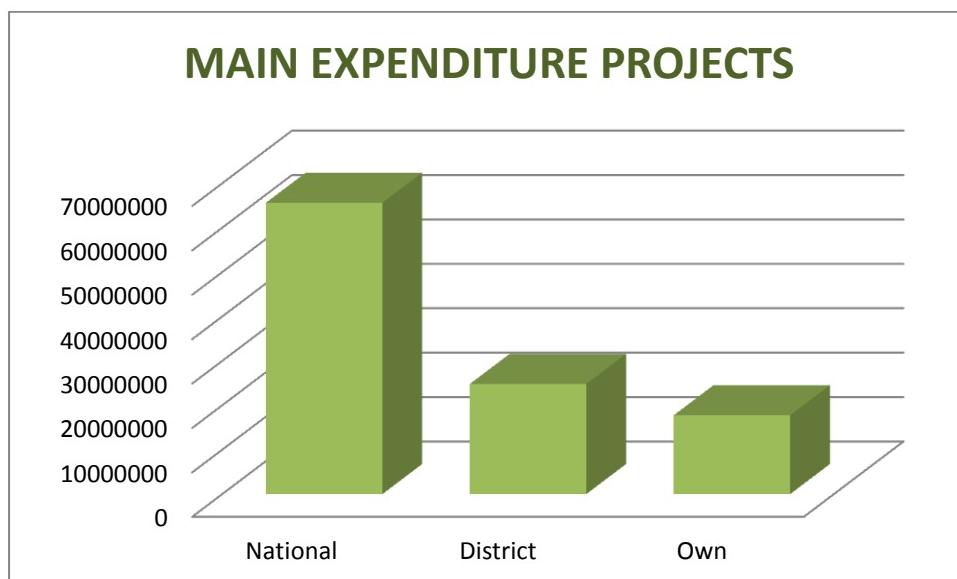
Waste management		–	–	1,900	5,750	5,752	–	–	–	–	–
Other		93	91	–	270	270	–	–	–	–	–
Total Capital Expenditure - Standard	3	38,041	582	62,741	96,747	96,213	45,884	45,884	102,668	123,042	135,346
Funded by:											
National Government		34,581	12	41,908	59,081	59,081	40,178	40,178	65,623	72,185	79,404
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	10,287	24,000	24,000	–	–	24,800	30,280	33,308
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	34,581	12	52,195	83,081	83,081	40,178	40,178	90,423	102,465	112,712
Public contributions & donations	5	–	–	6,332	–	–	–	–	–	–	–
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		3,459	570	4,214	13,666	13,132	5,705	5,705	12,245	20,577	22,634
Total Capital Funding	7	38,041	582	62,741	96,747	96,213	45,884	45,884	102,668	123,042	135,346

For 2013/14 an amount of R102.7million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital infrastructure budget allocation on waste water management of R35.7million which equates to 35 per cent will address sewer challenges that the municipality is currently facing.

Our municipal water infrastructure and reticulation is in serious need to address some of the water delivery and supply challenges, therefore an amount of R27.5million which equates to 27 per cent will be spent on water reticulation and storage infrastructure development and have those communities access to a basic need, which is water to improve the lives of our communities in Mkhondo.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 2 Capital Infrastructure Programme



MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

1.8 Annual Budget Tables

**Table 8 - MP303 Mkhondo - Table A1
Consolidated Budget Summary**

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework			
	R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Financial Performance</u>											
Property rates	9,031	13,257	15,130	23,794	19,000	22,252	18,544	25,222	26,597	28,047	
Service charges	60,717	82,404	96,324	108,905	107,408	117,069	58,535	116,323	122,139	128,246	
Investment revenue	3,986	2,299	4,650	1,650	2,000	1,983	1,157	1,880	1,974	2,073	
Transfers recognised - operational	130,609	96,795	141,468	104,141	105,139	104,141	60,341	115,106	114,124	118,370	
Other own revenue	10,102	40,535	38,633	31,714	26,803	17,465	11,056	41,010	45,864	48,490	
Total Revenue (excluding capital transfers and contributions)	214,445	235,289	296,205	270,204	260,350	262,911	149,633	299,541	310,698	325,226	
Employee costs	55,147	60,608	74,159	82,722	83,122	87,171	43,585	88,182	93,608	98,452	
Remuneration of councillors	6,583	4,898	8,262	9,796	9,796	10,165	5,930	10,333	10,712	11,355	
Depreciation & asset impairment	–	66,732	67,633	–	–	–	–	69,183	72,643	76,275	
Finance charges	1,926	1,881	1,694	945	545	625	365	1,940	2,037	2,139	
Materials and bulk purchases	40,262	54,533	69,914	92,481	82,182	69,237	55,100	67,021	71,661	77,579	
Transfers and grants	4,715	6,795	5,480	16,361	16,361	3,721	2,170	18,455	19,428	20,453	
Other expenditure	46,617	51,909	69,687	67,870	68,332	78,526	39,263	118,161	113,280	119,960	
Total Expenditure	155,251	247,355	296,829	270,174	260,338	249,445	146,413	373,275	383,370	406,212	
Surplus/(Deficit)	59,194	(12,065)	(624)	30	11	13,466	3,219	(73,734)	(72,672)	(80,985)	
Transfers recognised - capital	34,581	12	41,908	59,081	59,081	40,178	40,178	65,623	72,185	79,404	
Contributions recognised - capital & contributed assets	–	–	10,287	24,000	24,000	–	–	24,800	30,280	33,308	
Surplus/(Deficit) after capital transfers & contributions	93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727	
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–	
Surplus/(Deficit) for the year	93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727	
<u>Capital expenditure & funds sources</u>											
Capital expenditure	38,041	582	62,741	96,747	96,213	45,884	45,884	102,668	123,042	135,346	
Transfers recognised - capital	34,581	12	52,195	83,081	83,081	40,178	40,178	90,423	102,465	112,712	
Public contributions & donations	–	–	6,332	–	–	–	–	–	–	–	
Borrowing	–	–	–	–	–	–	–	–	–	–	
Internally generated funds	3,459	570	4,214	13,666	13,132	5,705	5,705	12,245	20,577	22,634	
Total sources of capital funds	38,041	582	62,741	96,747	96,213	45,884	45,884	102,668	123,042	135,346	
Financial position											

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

Total current assets	23,435	61,393	70,623	-	-	215,593	185,273	219,301	232,459	246,407
Total noncurrent assets	415,844	1,367,262	1,362,059	-	-	39,675	39,675	39,675	42,055	44,579
Total current liabilities	76,064	78,323	84,749	-	-	-	-	-	-	-
Total noncurrent liabilities	6,852	14,431	12,656	-	-	-	-	-	-	-
Community wealth/Equity	356,362	1,335,900	1,335,276	-	-	-	-	-	-	-
Cash flows										
Net cash from (used) operating	93,775	44,373	76,780	57,131	57,092	51,401	42,089	919	(5,921)	(75,562)
Net cash from (used) investing	-	(39,566)	(63,142)	(72,747)	(72,213)	(45,884)	(45,884)	(79,200)	(90,024)	(99,026)
Net cash from (used) financing	-	(954)	(1,374)	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	93,775	97,629	109,892	94,276	79,156	84,674	90,482	6,393	(89,552)	(264,140)
Cash backing/surplus reconciliation										
Cash and investments available	20,084	48,822	62,675	-	-	121,269	113,283	121,269	128,546	136,258
Application of cash and investments	42,578	41,605	50,443	-	-	(127,974)	(106,645)	(76,129)	(79,548)	(34,059)
Balance - surplus (shortfall)	(22,494)	7,217	12,232	-	-	249,243	219,928	197,398	208,094	170,317
Asset management										
Asset register summary (WDV)	14,592	67,171	67,845	-	-	-	-	-	-	-
Depreciation & asset impairment	-	66,732	67,633	-	-	-	69,183	69,183	72,643	76,275
Renewal of Existing Assets	-	-	-	-	-	-	-	3,630	7,888	8,677
Repairs and Maintenance	8,383	6,725	10,213	16,106	10,208	8,342	12,721	12,721	13,377	14,068
Free services										
Cost of Free Basic Services provided	967	913	1,046	1,118	1,118	1,279	1,450	1,450	1,537	1,605
Revenue cost of free services provided	259	259	259	266	266	266	279	279	299	303
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table 10 provides an overview of services delivery levels including addressing major backlogs experienced in service delivery issues.
2. Mkhondo Municipality continues to provide free basic services delivery to its community through 6kℓ of free water and sanitation, 50KWh of free basic electricity across all the entire community of Mkhondo as funded by per cent margin within the equitable share of the municipality.

PART 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Overview of the Budget Process

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

2.3 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In reviewing the 5-year IDP, a process plan was developed and adopted by Council. It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2013/14 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. The Mkhondo Local Municipality has completed its 2011-2016 cycle of Integrated Development Plan (IDP).

In terms of sec34 MSA the municipal council states that must review its IDP annually in accordance with an assessment of its performance measurement in terms of sec41 MSA

Therefore, this IDP represents a second review for 2013/14 financial years.

The above section also mentions that an Integrated Development Plan has the following functions:

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

2.4 IDP and Budget Consultative Community Participation

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place in November 2012, for the 2013-2014 Integrated Development Planning process. The public consultation process was again conducted during April 2013 for the Draft 2013/14 IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Table 9 Feedback Summary from community needs relating to municipal competencies

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	X	X	X	X	X	X		X	X						X		X	X	
2	SANITATION	X	X	X	X	X	X		X	X						X		X	X	
3	ELECTRICITY (Household Connections)	X	X	X	X	X	X		X	X					X	X	X	X	X	
4	ELECTRICITY (Streetlights/Apollo)	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	
5	CEMETERIES	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6	ROADS (Levelling & Grading)	X	X	X	X	X			X	X	X					X		X	X	
7	ROADS (Tarring)							X			X	X			X	X		X		
8	STADIUMS	X	X	X	X	X	X										X	X	X	
9	HALLS	X	X	X			X		X	X	X	X					X	X	X	
10	HALLS (FURNISHING & FENCING)				X	X										X			X	
11	STANDS/SITES					X	X			X	X								X	
12	SPEED HUMPS					X	X	X		X	X	X	X	X	X		X	X	X	

2.5 Overview of alignment of annual budget with IDP

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the five development priorities of the municipality, which are the national Key Performance Areas for local government, namely:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

Table 10 MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective R thousand	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
Municipal governance and administration				75,464	57,104	116,210	73,202	100,874	90,512	194,676	117,559	124,099	
Community and public safety				16,325	17,852	16,673	16,775	21,099	21,709	19,798	20,149	21,266	
Economic and environmental services				20,872	30,013	27,834	30,361	35,407	29,068	40,649	39,396	41,458	
Trading services				33,154	134,849	128,676	139,827	89,769	102,302	102,809	103,450	109,706	
Other services				9,437	7,537	7,436	10,010	13,188	12,383	15,343	16,260	17,233	
Allocations to other priorities													
Total Expenditure				1	155,251	247,355	296,829	270,174	260,338	255,974	373,275	296,815	313,761

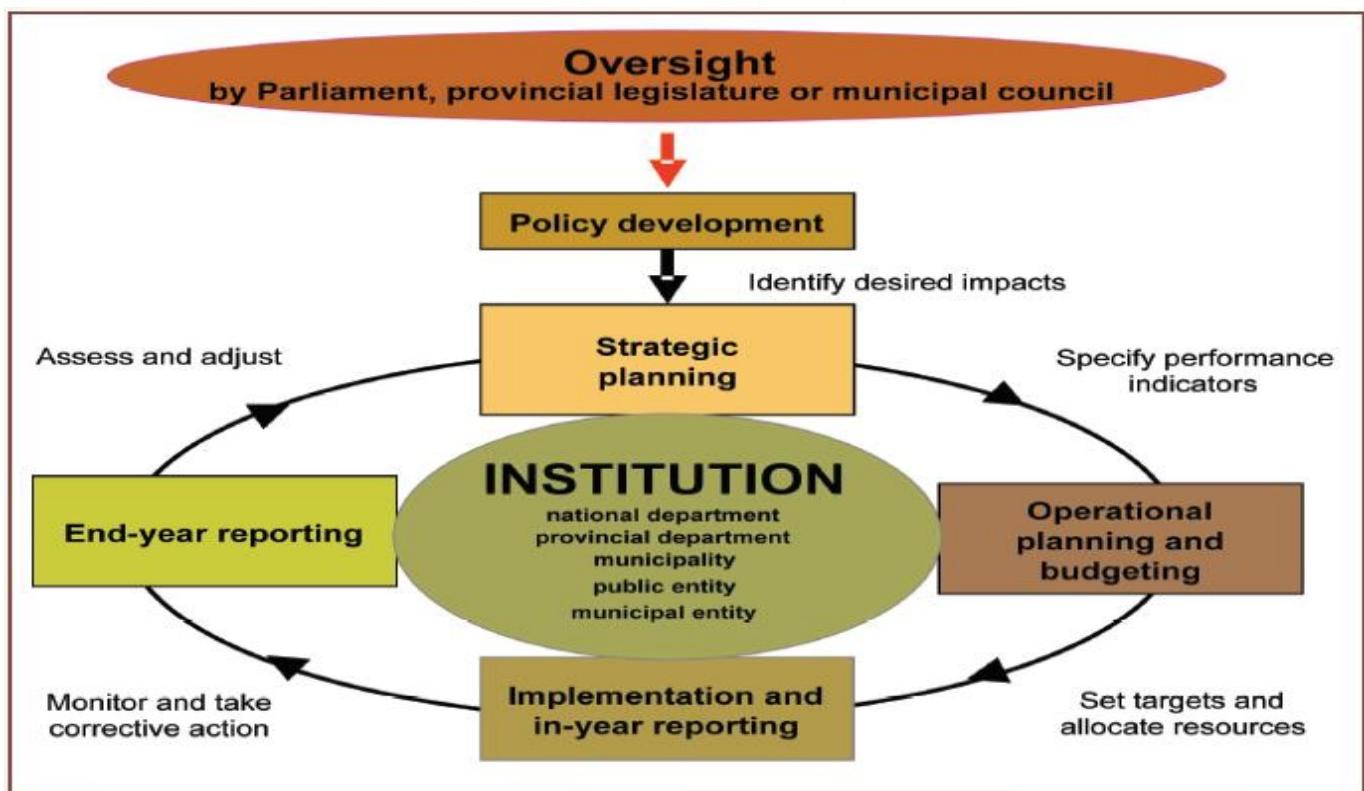
Table 11 IDP Strategic Development Priorities and Objectives

Basic Service Delivery	Municipal Institutional Development and Transformation	Local Economic Development	Financial Viability and Management	Good Governance and Public Participation
➤ To accelerate the Provision of Water, Sanitation, Roads, Storm Water and Electricity services in partnership with key stakeholders to meet millennium targets and improve the living conditions for all.	➤ To provide support to both the administrative and political offices of the municipality in order to enable their maximum performance.	➤ To facilitate and market opportunities and advantages of Mkhondo Municipality in order to attract local and foreign direct investment.	➤ To align with the needs of the public through alignment with the IDP to ensure spending where it is most needed.	➤ To increase transparency and legitimacy in decision making processes of the municipality.
➤ To accelerate provision of services relating to disaster management, safety, fire, emergency, as well as traffic and licensing	➤ To facilitate representation of previously disadvantaged individuals (PDIs) in both administrative and political offices of the municipality.	➤ To support growth and development of tourism sector within Mkhondo Municipality.	➤ To ensure that the Municipality maintains its Clean Audit record and Good Financial Management.	➤ To strengthen public participation through Izimbizo, IDP Forums and other communication platforms, this will include previously marginalised groups.
➤ To accelerate provision of services relating to solid waste, parks and gardens; whereas ensuring environmental sustainability of all developments.	➤ To provide education and training for officials and councillors in order to increase their efficiency on the job.	➤ To support cooperatives' and small business development.	➤ To manage internal and external income efficiently; and thus render a sound service to the public.	➤ To improve internal systems and controls, and increase the overall operational efficiency of the municipality to fulfil its responsibilities.
➤ To support provision of comprehensive services and ensure that communities can have access to services which are closer to them.			➤ To assist all departments administratively in increasing their expenditure.	

2.6 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and yet to implement a performance management system of which system is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organisational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure3 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

2.7 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Asset Management Policy
- Banking and Cash Management policy
- Indigent Policy
- Inventory Management policy
- Rates policy
- Rental policy
- Risk Management Policy
- Fleet Management policy
- Bad debt write-off policy
- Asset Disposal policy

2.8 Overview of Budget assumptions

2.8.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

2.8.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is for prior year was expressed as a percentage (94.88 per cent) of annual billings. Currently i.e. April 2013 the percentage is expressed at 74.54 per cent of year to date billings. Cash flow is assumed to be 94.88 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy through a debt collector and incentives measures to encourage community to pay their arrears on service accounts.

2.8.3 Salary increase

The collective agreement regarding salaries/ wages which is coming to an end by 30 June 2012 according to the three year wage agreement with SALGBC, an estimated growth in employee related cost is budgeted at $(5.6 + 1.25) = 6.85$ per cent for 2013/14 financial year, notwithstanding the NT circular no.67 in terms of the guidelines.

2.9 Overview of Budget Funding Sources

2.9.1 Medium – term outlook: Capital revenue

The following table is a breakdown of the funding composition of the 2013/14 medium-term capital programme:

Table 12 Sources of capital revenue over the MTREF

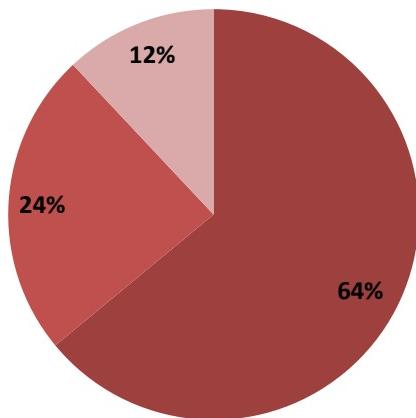
MP303 Mkhondo - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref 1	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Funded by:											
National Government		34,581	12	41,908	59,081	59,081	40,178	40,178	65,623	72,185	79,404
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	10,287	24,000	24,000	–	–	24,800	30,280	33,308
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	34,581	12	52,195	83,081	83,081	40,178	40,178	90,423	102,465	112,712
Public contributions & donations	5	–	–	6,332	–	–	–	–	–	–	–
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		3,459	570	4,214	13,666	13,132	5,705	5,705	12,245	20,577	22,634
Total Capital Funding	7	38,041	582	62,741	96,747	96,213	45,884	45,884	102,668	123,042	135,346

Figure 4 Sources of capital revenue for the 2013/14 financial year

Capital Funding Source

■ National ■ District ■ Own



Capital grants and receipts equates to 64 per cent of the total funding source which represents R65.6million while the district capital revenue worth of projects is 24 per cent an amount worth of R24, 8million and just under 12 per cent for own funded capital to a tune of R12.2million.

2.10 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 13 MP303 Mkhondo Supporting Table SA10 Funding measurement

<u>Total Operating Revenue</u>		214,445	235,289	296,205	270,204	260,350	262,911	149,633	299,541	310,698	325,226
<u>Total Operating Expenditure</u>		155,251	247,355	296,829	270,174	260,338	249,445	146,413	373,275	383,370	406,212
<u>Operating Performance Surplus/(Deficit)</u>		59,194	(12,065)	(624)	30	11	13,466	3,219	(73,734)	(72,672)	(80,985)
<u>Cash and Cash Equivalents (30 June 2012)</u>									6,393		
<u>Revenue</u>											

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

% Increase in Total Operating Revenue			9.7%	25.9%	(8.8%)	(3.6%)	1.0%	(43.1%)	15.1%	3.7%	4.7%
% Increase in Property Rates Revenue			46.8%	14.1%	57.3%	(20.1%)	17.1%	(16.7%)	32.7%	5.5%	5.5%
% Increase in Electricity Revenue			43.2%	20.8%	11.3%	(1.3%)	12.2%	(50.0%)	6.6%	5.0%	5.0%
% Increase in Property Rates & Services Charges			37.2%	16.5%	19.1%	(4.7%)	10.2%	(44.7%)	12.0%	5.1%	5.1%
<u>Expenditure</u>											
% Increase in Total Operating Expenditure			59.3%	20.0%	(9.0%)	(3.6%)	(4.2%)	(41.3%)	43.4%	2.7%	6.0%
% Increase in Employee Costs			9.9%	22.4%	11.5%	0.5%	4.9%	(50.0%)	6.1%	6.2%	5.2%
% Increase in Electricity Bulk Purchases			60.5%	32.4%	10.6%	(4.7%)	(15.1%)	(16.7%)	(9.2%)	7.0%	7.0%
Average Cost Per Budgeted Employee Position (Remuneration)			0	195560.0473					140641.488		
Average Cost Per Councillor (Remuneration)			0	257801.9474					271926.8251		
R&M % of PPE		2.2%	0.5%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset Renewal and R&M as a % of PPE		57.0%	10.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue		0.0%	5.7%	2.7%	0.0%	0.0%	0.0%	0.0%	10.9%	10.9%	10.9%
<u>Capital Revenue</u>											
Internally Funded & Other (R'000)	3,459	570	10,546	13,666	13,132	5,705	5,705	12,245	20,577	22,634	
Borrowing (R'000)	-	-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)	34,581	12	52,195	83,081	83,081	40,178	40,178	90,423	102,465	112,712	
Internally Generated funds % of Non Grant Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing % of Non Grant Funding	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding	90.9%	2.1%	83.2%	85.9%	86.4%	87.6%	87.6%	88.1%	83.3%	83.3%	

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<u>Capital Expenditure</u>											
Total Capital Programme (R'000)		38,041	582	62,741	96,747	96,213	45,884	45,884	102,668	123,042	135,346
Asset Renewal		–	–	–	–	–	–	–	3,630	7,888	8,677
Asset Renewal % of Total Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	6.4%	6.4%
<u>Cash</u>											
Cash Receipts % of Rate Payer & Other		100.0%	110.6%	101.0%	100.0%	100.0%	100.0%	100.0%	57.8%	57.0%	23.0%
Cash Coverage Ratio		0	0	0	0	0	0	0	0	(0)	(0)
<u>Borrowing</u>											
Credit Rating (2009/10)										0	
Capital Charges to Operating		1.2%	1.1%	1.0%	0.3%	0.2%	0.3%	0.2%	0.5%	0.5%	0.5%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Reserves</u>											
Surplus/(Deficit)		(22,494)	7,217	12,232	–	–	249,243	219,928	197,398	208,094	170,317
<u>Free Services</u>											
Free Basic Services as a % of Equitable Share		0.7%	0.9%	0.7%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)		0.3%	0.2%	0.2%	0.2%	0.2%	0.2%		0.2%	0.2%	0.1%
<u>High Level Outcome of Funding Compliance</u>											

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Total Operating Revenue		214,445	235,289	296,205	270,204	260,350	262,911	149,633	299,541	310,698	325,226
Total Operating Expenditure		155,251	247,355	296,829	270,174	260,338	249,445	146,413	373,275	383,370	406,212
Surplus/(Deficit) Budgeted Operating Statement		59,194	(12,065)	(624)	30	11	13,466	3,219	(73,734)	(72,672)	(80,985)
Surplus/(Deficit) Considering Reserves and Cash Backing		36,700	(4,848)	11,608	30	11	262,709	223,147	123,664	135,422	89,332
MTREF Funded (1) / Unfunded (0)	15	1	0	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓

2.11 Expenditure on Grants and Reconciliation of Unspent

Table 14 MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

Description R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:										
Local Government Equitable Share		4,715	6,795	5,480	16,361	16,361	3,721	18,455	19,428	20,453
Local Government Equitable Share		4,715	6,795	5,480	16,361	16,361	3,721	14,061	14,814	15,609
Finance Management								2,440	2,562	2,690
Municipal Systems Improvement								1,954	2,052	2,154
EPWP Incentive										
Other transfers/grants [insert description]										
Provincial Government:										
Other transfers/grants [insert description]										
District Municipality:										
[insert description]										
Other grant providers:										
[insert description]										

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Total operating expenditure of Transfers and Grants:		4,715	6,795	5,480	16,361	16,361	3,721	18,455	19,428	20,453
Capital expenditure of Transfers and Grants										
National Government:		34,581		12	41,908	59,081	59,081	40,178	65,623	72,185
Municipal Infrastructure Grant (MIG)		34,581		12	41,908	59,081	59,081	40,178	65,623	72,185
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		34,581		12	41,908	59,081	59,081	40,178	65,623	72,185
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		39,296	6,807	47,388	75,442	75,442	43,899	84,078	91,613	99,857

Table 15 MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		130,609	96,795	141,468	104,141	105,139	104,141	115,106	114,124	118,370
Current year receipts		130,609	96,795	141,468	104,141	105,139	104,141	115,106	114,124	118,370
Conditions met - transferred to revenue										
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue										
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue										
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue										
Conditions still to be met -										

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transferred to liabilities										
Total operating transfers and grants revenue		130,609	96,795	141,468	104,141	105,139	104,141	115,106	114,124	118,370
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		34,581	12	41,908	59,081	59,081	40,178	65,623	72,185	79,404
Conditions met - transferred to revenue		34,581	12	41,908	59,081	59,081	40,178	65,623	72,185	79,404
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue										
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue										
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue										
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		34,581	12	52,195	83,081	83,081	40,178	90,423	102,465	112,712
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		165,190	96,807	193,663	187,222	188,220	144,319	205,529	216,590	231,082
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

2.12 COUNCILLOR, EMPLOYEE BENEFITS & PERSONNEL NUMBERS

Table 16 MP303 Mkhondo - Supporting Table SA22
Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Councillors (Political Office Bearers plus Other)</u>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages					5,605	5,886	6,180	5,612	5,949	6,306
Pension and UIF Contributions					818	859	901	758	803	851
Medical Aid Contributions					118	124	130	197	209	222
Motor Vehicle Allowance					2,262	2,375	2,494	2,387	2,530	2,682
Cellphone Allowance					501	–	–	560	594	630
Housing Allowances					492	517	543	519	550	583
Other benefits and allowances								72	76	81
Sub Total - Councillors		–	–	–	9,796	9,760	10,248	10,106	10,712	11,354
% increase	4	–	–	–	–	(0.4%)	5.0%	(1.4%)	6.0%	6.0%
<u>Senior Managers of the Municipality</u>	2									
Basic Salaries and Wages					7,370	7,738	8,125	8,307	8,888	9,511
Pension and UIF Contributions					1,553	1,631	1,713	1,847	1,976	2,115
Medical Aid Contributions					493	518	544	99	106	113
Overtime					–	–	–	–	–	–
Performance Bonus					–	–	–	–	–	–
Motor Vehicle Allowance	3				2,095	2,200	2,310	2,218	2,373	2,539
Cellphone Allowance	3				–	–	–	–	–	–
Housing Allowances	3				1,334	1,400	1,470	1,227	1,313	1,405
Other benefits and allowances	3				2,487	2,612	2,742	3,188	3,411	3,650
Payments in lieu of leave					–	–	–	–	–	–
Long service awards					–	–	–	–	–	–
Post-retirement benefit obligations	6				–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		–	–	–	15,332	16,099	16,904	16,886	18,068	19,333
% increase	4	–	–	–	–	5.0%	5.0%	(0.1%)	7.0%	7.0%
<u>Other Municipal Staff</u>										
Basic Salaries and Wages					39,237	41,199	43,259	47,986	51,345	54,939
Pension and UIF Contributions					10,236	10,748	11,286	10,768	11,522	12,328

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Medical Aid Contributions				2,589	2,718	2,854	3,483	3,727	3,988
Overtime				2,378	2,497	2,622	3,429	3,669	3,926
Performance Bonus				–	–	–	–	–	–
Motor Vehicle Allowance	3			–	–	–	–	–	–
Cellphone Allowance	3			–	–	–	–	–	–
Housing Allowances	3			–	–	–	–	–	–
Other benefits and allowances	3			3,027	3,596	3,779	4,686	5,014	5,365
Payments in lieu of leave				–	–	–	–	–	–
Long service awards				–	–	–	–	–	–
Post-retirement benefit obligations	6			–	–	–	–	–	–
Sub Total - Other Municipal Staff		–	–	57,467	60,759	63,800	70,353	75,277	80,546
% increase	4	–	–	–	5.7%	5.0%	10.3%	7.0%	7.0%
Total Parent Municipality		–	–	82,596	86,618	90,952	97,345	104,056	111,233
TOTAL SALARY, ALLOWANCES & BENEFITS		–	–	82,596	86,618	90,952	97,345	104,056	111,233
% increase	4	–	–	–	4.9%	5.0%	7.0%	6.9%	6.9%
TOTAL MANAGERS AND STAFF	5.7	–	–	72,800	76,858	80,704	87,239	93,345	99,879

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Table 17 MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		292,025	48,401	195,885			536,311
Chief Whip			270,235	44,790	189,008			504,033
Executive Mayor			352,555	83,011	249,811			685,377
Deputy Executive Mayor			–	–	–			–
Executive Committee			522,607	107,443	378,016			1,008,066
Total for all other councillors			4,246,787	671,488	2,453,776			7,372,051
Total Councillors	8	–	5,684,209	955,133	3,466,496			10,105,838
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1,026,280	207,829	344,126	131,519		1,709,754
Chief Finance Officer			511,495	110,005	167,419	65,743		854,662
GM: Comm Services			511,495	110,005	167,419	65,743		854,662
GM: Corporate Services			511,495	110,005	167,419	65,743		854,662
GM: Technical Services			511,495	110,005	167,419	65,743		854,662
SM: IDP/LED			314,325	68,523	183,072	47,160		613,080
<i>List of each official with packages >= senior manager</i>								
SM: SCM			314,325	68,523	183,072	47,160		613,080
SM: Mayoral & Communications			314,325	68,523	183,072	47,160		613,080
SM: Solid waste			314,325	68,523	183,072	47,160		613,080
SM: Internal Auditor			314,325	68,523	183,072	47,160		613,080
SM: HR			314,325	68,523	183,072	47,160		613,080
SM: Auxillary services			314,325	68,523	183,072	47,160		613,080
SM: Corporate services/legal services			314,325	68,523	183,072	47,160		613,080
SM: Revenue			314,325	68,523	183,072	47,160		613,080
SM: IT			314,325	68,523	183,072	47,160		613,080
SM: Budget			314,325	68,523	183,072	47,160		613,080
SM: Expenditure			314,325	68,523	183,072	47,160		613,080
SM: Others			314,325	68,523	183,072	47,160		613,080
SM: Others @ R750000.03			3,035,881	408,260	228,983	291,407		3,964,531
Total Senior Managers of the Municipality	8,10	–	10,194,366	1,946,908	3,622,721	1,298,978		17,062,973

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Table 18 MP303 Mkhondo - Supporting Table SA24

Summary of personnel numbers

Summary of Personnel Numbers	Ref	2011/12			Current Year 2012/13			Budget Year 2013/14				
		Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities												
Councillors (Political Office Bearers plus Other Councillors)					38			38	38			38
Municipal employees	5											
Municipal Manager and Senior Managers	3				5			6	5			5
Other Managers	7				12	12		20		20		
Professionals		–	–	–	330	312	18	358		351		7
<i>Finance</i>					35	35		37		30		7
<i>Spatial/town planning</i>					5	5		4		4		
<i>Information Technology</i>					2	2		2		2		
<i>Roads</i>					74	74		67		67		
<i>Electricity</i>					32	32		41		41		
<i>Water</i>					24	24		34		34		
<i>Sanitation</i>					1	1		1		1		
<i>Refuse</i>					1	1		1		1		
<i>Other</i>					156	138	18	171		171		
Technicians		–	–	–	76	76	–	244		213		31
<i>Finance</i>												
<i>Spatial/town planning</i>												
<i>Information Technology</i>												
<i>Roads</i>												
<i>Electricity</i>					4	4		4		4		
<i>Water</i>					10	10		12		12		
<i>Sanitation</i>					62	62		59		59		
<i>Refuse</i>								169		138		31
<i>Other</i>												
Clerks (Clerical and administrative)												
Service and sales workers												
Skilled agricultural and fishery workers												
Plant and Machine Operators												
Elementary Occupations												
TOTAL PERSONNEL NUMBERS	9	–	–	–	461	400	62	665		584		81
% increase					–	–	–	–	44.3%	46.0%	30.6%	

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2.13 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 19 MP303 Mkhondo - Supporting Table MBRR SA25 Consolidated budgeted monthly revenue and expenditure

Description R thousand	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source	-															
Property rates		2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	2,102	25,222	26,597	28,047
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	85,090	89,344	93,811
Service charges - water revenue		1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	14,863	15,606	16,386
Service charges - sanitation revenue		504	504	504	504	504	504	504	504	504	504	504	504	6,047	6,349	6,666
Service charges - refuse revenue		860	860	860	860	860	860	860	860	860	860	860	860	10,324	10,840	11,382
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		44	44	44	44	44	44	44	44	44	44	44	44	525	557	590
Interest earned - external investments		157	157	157	157	157	157	157	157	157	157	157	157	1,880	1,974	2,073
Interest earned - outstanding debtors		965	965	965	965	965	965	965	965	965	965	965	965	11,576	12,224	12,908
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		97	97	97	97	97	97	97	97	97	97	97	97	1,167	1,237	1,311
Licences and permits		2	2	2	2	2	2	2	2	2	2	2	2	26	27	29
Agency services		483	483	483	483	483	483	483	483	483	483	483	483	5,800	8,664	9,184
Transfers recognised - operational		9,592	9,592	9,592	9,592	9,592	9,592	9,592	9,592	9,592	9,592	9,592	9,592	115,106	114,124	118,370
Other revenue		1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	21,917	23,155	24,468
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		24,962	24,962	24,962	24,962	24,962	24,962	24,962	24,962	24,962	24,962	24,962	24,962	299,541	310,698	325,226

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<u>Expenditure By Type</u>	-	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	88,182	93,608	98,452
Employee related costs		7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	7,349	88,182	93,608	98,452
Remuneration of councillors		861	861	861	861	861	861	861	861	861	861	861	10,333	10,712	11,355
Debt impairment		1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	15,491	16,266	17,079
Depreciation & asset impairment		5,765	5,765	5,765	5,765	5,765	5,765	5,765	5,765	5,765	5,765	5,765	69,183	72,643	76,275
Finance charges		162	162	162	162	162	162	162	162	162	162	162	1,940	2,037	2,139
Bulk purchases		5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	65,628	70,197	76,040
Other materials		116	116	116	116	116	116	116	116	116	116	116	1,393	1,464	1,539
Contracted services		1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	16,124	18,328	19,333
Transfers and grants		1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	18,455	19,428	20,453
Other expenditure		7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	86,545	78,687	83,547
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		31,106	373,275	383,370	406,212										
Surplus/(Deficit)		(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(6,145)	(73,734)	(72,672)	(80,985)
Transfers recognised - capital		5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	5,469	65,623	72,185	79,404
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	24,800	30,280	33,308
Surplus/(Deficit) after capital transfers & contributions		1,391	16,689	29,793	31,727										
Taxation													-	-	-
Attributable to minorities													-	-	-
Share of surplus/ (deficit) of associate													-	-	-
Surplus/(Deficit)	1	1,391	16,689	29,793	31,727										

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

Table 20 MP303 Mkhondo - Supporting Table SA30 Consolidated budgeted monthly cash flow																
MONTHLY CASH FLOWS		Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash Receipts By Source														1		
Property rates	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	18,800	19,825	20,907
Property rates - penalties & collection charges														–		
Service charges - electricity revenue	5,285	5,285	5,285	5,285	5,285	5,285	5,285	5,285	5,285	5,285	5,285	5,285	5,285	63,426	66,597	69,927
Service charges - water revenue	923	923	923	923	923	923	923	923	923	923	923	923	923	11,079	11,633	12,214
Service charges - sanitation revenue	376	376	376	376	376	376	376	376	376	376	376	376	376	4,507	4,732	4,969
Service charges - refuse revenue	641	641	641	641	641	641	641	641	641	641	641	641	641	7,695	8,080	8,484
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	22	22	22	22	22	22	22	22	22	22	22	22	22	263	278	295
Interest earned - external investments	157	157	157	157	157	157	157	157	157	157	157	157	157	1,880	1,974	2,073
Interest earned - outstanding debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	49	49	49	49	49	49	49	49	49	49	49	49	49	583	618	655
Licences and permits	2	2	2	2	2	2	2	2	2	2	2	2	2	26	27	29
Agency services	483	483	483	483	483	483	483	483	483	483	483	483	483	5,800	8,664	9,184
Transfer receipts - operational	38,369	–	–	–	38,369	–	–	–	38,369	–	–	–	–	115,106	114,124	118,370
Other revenue	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	21,917	23,155	24,468
Cash Receipts by Source	49,700	11,331	11,331	11,331	49,700	11,331	11,331	11,331	49,700	11,331	11,331	11,331	11,331	251,082	259,709	271,575
Other Cash Flows by Source																
Transfer receipts - capital	21,874	–	–	–	21,874	–	–	–	21,874	–	–	–	–	65,623	72,185	79,404
Contributions recognised - capital & Contributed assets	–	–	–	–	–	–	–	–	–	–	–	–	–	24,800	24,800	30,280
																33,308

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Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	71,574	11,331	11,331	11,331	71,574	11,331	11,331	11,331	71,574	11,331	11,331	36,131	341,505	362,174	384,287
<u>Cash Payments by Type</u>															
Employee related costs	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	6,981	83,773	88,928	93,529
Remuneration of councillors	861	861	861	861	861	861	861	861	861	861	861	861	10,333	10,712	11,355
Finance charges	162	162	162	162	162	162	162	162	162	162	162	162	1,940	2,037	2,139
Bulk purchases - Electricity	5,319	5,319	5,319	5,319	5,319	5,319	5,319	5,319	5,319	5,319	5,319	5,319	63,833	68,302	73,083
Bulk purchases - Water & Sewer	150	150	150	150	150	150	150	150	150	150	150	150	1,795	1,896	2,957
Other materials	116	116	116	116	116	116	116	116	116	116	116	116	1,393	1,464	1,539
Contracted services	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	16,124	18,328	19,333
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538	18,455	19,428	20,453
Other expenditure	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	7,212	86,545	78,687	83,547
Cash Payments by Type	23,683	284,192	289,781	307,935											
<u>Other Cash Flows/Payments by Type</u>															
Capital assets	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	90,024	99,026
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	30,283	363,392	379,805	406,961											

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

NET INCREASE/(DECREASE) IN CASH HELD	41,292	(18,951)	(18,951)	(18,951)	41,292	(18,951)	(18,951)	(18,951)	41,292	(18,951)	(18,951)	5,849	(21,887)	(17,631)	(22,674)
Cash/cash equivalents at the month/year begin:	44,314	85,605	66,654	47,703	28,751	70,043	51,092	32,140	13,189	54,481	35,529	16,578	44,314	22,427	4,796
Cash/cash equivalents at the month/year end:	85,605	66,654	47,703	28,751	70,043	51,092	32,140	13,189	54,481	35,529	16,578	22,427	4,796	(17,878)	

2.14 Other Supporting Documents

Table 21 MP303 Mkhondo - Supporting Table SA1 Supporting detail to
'Budgeted Financial Performance'

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		23,412	13,257	15,130	23,794	19,000	22,252	18,544	25,222	26,597	28,047
less Revenue Foregone		14,381									
Net Property Rates		9,031	13,257	15,130	23,794	19,000	22,252	18,544	25,222	26,597	28,047
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		41,974	60,118	72,647	80,863	79,828	89,570	44,785	85,090	89,344	93,811
less Revenue Foregone											
Net Service charges - electricity revenue		41,974	60,118	72,647	80,863	79,828	89,570	44,785	85,090	89,344	93,811
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		6,853	11,220	12,417	13,046	13,046	13,025	6,513	14,863	15,606	16,386
less Revenue Foregone											
Net Service charges - water revenue		6,853	11,220	12,417	13,046	13,046	13,025	6,513	14,863	15,606	16,386
<u>Service charges - sanitation revenue</u>											
Total Service charges - sanitation revenue		4,177	5,128	4,925	5,144	5,708	6,623	3,312	6,047	6,349	6,666

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue	6	4,177	5,128	4,925	5,144	5,708	6,623	3,312	6,047	6,349	6,666
<u>Service charges - refuse revenue</u>											
Total refuse removal revenue		5,482	5,938	6,335	9,852	8,827	7,851	3,926	10,324	10,840	11,382
Total landfill revenue											
<i>less Revenue Foregone</i>											
Net Service charges - refuse revenue		5,482	5,938	6,335	9,852	8,827	7,851	3,926	10,324	10,840	11,382
<u>Other Revenue by source</u>											
Accumulated surplus & surplus monies							–	4,202	4,413	4,633	
Advertising/posters (from pre audit back to audited outcomes were sume'd together)		5,227	34,096	15,164	19,404	16,934	8,812	4,406	77	80	84
Building plans & cemetery fees (Donation received - audited outcome 2011/12)		–	–	16,619	–	–	–	–	664	700	737
Clearance certificates, valuation certificates & commission fees									105	110	116
Cut of grass									9	9	10
Encroachment, Escorting & Weighbridge fees									1,831	1,923	2,019
Sale of garden refuse bulk containers, refuse bins & prepaid boxes									334	351	368
Postcards, statements & photocopies fees									66	69	73
Private calls recovered									511	542	574
Private work & reconnection fees									98	103	108
Sale of pines, gums & wattle barks									13,502	14,312	15,176
Sundry - tenders, sub division of stands & testing of meters	3								517	543	571
Total 'Other' Revenue	1	5,227	34,096	31,782	19,404	16,934	8,812	4,406	21,917	23,155	24,468
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

Basic Salaries and Wages	2	40,254	46,394	50,232	60,713	60,594	64,492	32,246	65,878	69,288	72,876
Pension and UIF Contributions		6,165	6,338	9,843	12,296	12,294	12,151	6,076	12,454	13,979	14,703
Medical Aid Contributions		1,479	1,555	2,002	3,115	3,080	2,611	1,305	3,022	3,178	3,342
Overtime		2,966	3,313	4,394	2,378	2,759	2,611	1,305	2,163	2,274	2,391
Performance Bonus		-	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		3,721	1,840	2,652	2,091	1,990	2,667	1,334	2,190	2,303	2,421
Cellphone Allowance		-	-	-	-	-	-	-	-	-	-
Housing Allowances		427	586	945	1,325	1,406	1,291	645	1,237	1,369	1,439
Other benefits and allowances		101	379	4,091	704	890	1,259	630	1,238	1,218	1,279
Payments in lieu of leave		-	-	-	100	109	-	-	-	-	-
Long service awards		35	203	-	-	-	89	44	-	-	-
Post-retirement benefit obligations	4	-	-	-	-	-	-	-	-	-	-
<u>sub-total</u>	5	55,147	60,608	74,159	82,722	83,122	87,171	43,585	88,182	93,608	98,452
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	55,147	60,608	74,159	82,722	83,122	87,171	43,585	88,182	93,608	98,452
<u>Contributions recognised - capital</u>											
<i>List contributions by contract</i>											
Total Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		-	66,732	67,633	-	-	-	-	69,183	72,643	76,275
Lease amortisation		-	-	-							
Capital asset impairment		-	-	-							
Depreciation resulting from revaluation of PPE	10	-	-	-							
Total Depreciation & asset impairment	1	-	66,732	67,633	-	-	-	-	69,183	72,643	76,275

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Bulk purchases										
Electricity Bulk Purchases	31,421	50,417	66,732	73,775	70,274	59,657	49,714	63,833	68,302	73,083
Water Bulk Purchases	459	4,116	3,182	2,600	1,700	2,430	1,215	1,795	1,896	2,957
Total bulk purchases	1	31,880	54,533	69,914	76,375	71,974	62,087	50,929	65,628	70,197
Transfers and grants										
Cash transfers and grants	4,715	6,795	5,480	16,361	16,361	3,721	2,170	18,455	19,428	20,453
Non-cash transfers and grants	-	-	-	-	-	-	-	-	-	-
Total transfers and grants	1	4,715	6,795	5,480	16,361	16,361	3,721	2,170	18,455	19,428
Contracted services										
<i>List services provided by contract</i>										
Private contractors e.g. SIVIL Culture, Mpangazitha, Ditsibi and Zandile Management	-	-	-	4,157	5,226	24,946	12,473	6,790	9,146	9,632
Security services				2,936	6,237			8,935	8,758	9,252
Valuation roll: supplementary.				340	340			400	424	449
sub-total	1	-	-	-	7,433	11,803	24,946	12,473	16,124	18,328
Allocations to organs of state:										
Electricity										
Water										
Sanitation										
Other										
Total contracted services		-	-	-	7,433	11,803	24,946	12,473	16,124	18,328
Other Expenditure By Type										
Collection costs	-	-	-	-	-	-	-	-	-	-
Contributions to 'other' provisions	-	-	-	-	-	-	-	-	-	-
Consultant fees	19,260	12,541	9,654	-	-	-	-	-	-	-

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Audit fees		1,271	2,553	2,755	2,530	2,700	252	126	2,862	3,005	3,155
General expenses	3	26,087	24,582	44,069	40,603	37,381	53,328	26,664	64,631	55,487	58,985
<i>List Other Expenditure by Type</i>		–	–	–	–	–	–	–	–	–	–
<i>Administration</i>		(1)	0	–	–	–	–	–	–	–	–
<i>Transfer to Reserves</i>		–	–	–	17,303	16,449	–	–	13,552	14,365	15,227
<i>Interest and Redemption</i>		–	–	–	–	–	–	–	–	–	–
<i>Repairs & Maintenance</i>			6,725	10,213							
<i>Valuation roll</i>									4,000	4,240	4,494
<i>Unbundling of assets</i>									1,500	1,590	1,685
Total 'Other' Expenditure	1	46,617	46,402	66,692	60,437	56,529	53,580	26,790	86,545	78,687	83,547

Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		8,383	6,725	10,213	16,106	10,208	8,342	4,171	24,093	25,538	27,071
Total Repairs and Maintenance Expenditure	9	8,383	6,725	10,213	16,106	10,208	8,342	4,171	24,093	25,538	27,071

2.15 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports.

➤ Internship programme

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 16 interns through this programme and some of them are still in their internship contract while others are already placed permanently within the various divisions in the BTO, and two of the senior interns from the first team they have been appointed as Accountants in Assets Management and Bank Recons.

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

**Table 22 MP303 Mkhondo - Supporting Table SA2 Consolidated Matrix Financial Performance Budget
(revenue source/expenditure type & dept.)**

Description	Ref	Vote 1 - Executive Council	Vote 2 - Budget & Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning & Development	Vote 5 - Health	Vote 6 - Community & Social Services	Vote 7 - Housing	Vote 8 - Public Safety	Vote 9 - Sports & Recreation	Vote 10 - Roads & Technical Services	Vote 11 - Waste Management	Vote 12 - Waste Water Management	Vote 13 - Water	Vote 14 - Electricity	Vote 15 - Other	Total
R thousand	1																
Revenue By Source																	
Property rates																	25,222
Property rates - penalties & collection charges				25,222													-
Service charges - electricity revenue																109,547	109,547
Service charges - water revenue																	-
Service charges - sanitation revenue																	9,388
Service charges - refuse revenue																	7,020
Service charges - other																	-
Rental of facilities and equipment																	769
Interest earned - external investments																	-
Interest earned - outstanding debtors																	-
Dividends received																	-
Fines																	3,650

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Licences and permits																	-
Agency services																	8,267
Other revenue Transfers recognised - operational	12,478					218			8,267	26	4,279					13,654	30,655
Gains on disposal of PPE	105,022																105,022
Total Revenue (excluding capital transfers and contributions)	105,022	37,700	113	-	-	218	656	11,918	26	4,279	7,020	9,388	-	109,547	13,654	299,541	
Expenditure By Type																	
Employee related costs																	-
Remuneration of councillors																	-
Debt impairment																	-
Depreciation & asset impairment																	-
Finance charges																	-
Bulk purchases																	-
Other materials																	-
Contracted services																	-
Transfers and grants	47,500																47,500
Other expenditure																	
Loss on disposal of PPE	123,111	24,065		-	716	1,730	185	20,313	5,487	32,016	12,231	7,737	27,371	55,470	15,343	325,775	

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Total Expenditure	47,500	123,111	24,065	-	716	1,730	185	20,313	5,487	32,016	12,231	7,737	27,371	55,470	15,343	373,275
Surplus/(Deficit)	57,522	(85,411)	(23,952)	-	(716)	(1,512)	471	(8,395)	(5,461)	(27,736)	(5,212)	1,651	(27,371)	54,077	(1,689)	(73,734)
Transfers recognised - capital																-
Contributions recognised - capital															-	-
Contributed assets															-	-
Surplus/(Deficit) after capital transfers & contributions	57,522	(85,411)	(23,952)	-	(716)	(1,512)	471	(8,395)	(5,461)	(27,736)	(5,212)	1,651	(27,371)	54,077	(1,689)	(73,734)

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

**Table 23 MP303 Mkhondo - Supporting
Table SA3 Supporting detail to 'Budgeted
Financial Position'**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		1,124	32,569	39,936			33,674	33,674	33,674	35,694	37,836
Other current investments > 90 days											
Total Call investment deposits	2	1,124	32,569	39,936	-	-	33,674	33,674	33,674	35,694	37,836
<u>Consumer debtors</u>											
Consumer debtors		14,762	83,257	90,867							
Less: Provision for debt impairment		-	(69,393)	(72,528)			127,974	106,645	127,974	135,652	143,791
Total Consumer debtors	2	14,762	13,864	18,339	-	-	127,974	106,645	127,974	135,652	143,791
<u>Debt impairment provision</u>											
Balance at the beginning of the year			(63,886)	(78,607)							
Contributions to the provision			(5,507)	6,078							
Bad debts written off			-	-							
Balance at end of year		-	(69,393)	(72,528)	-	-	-	-	-	-	-
<u>Property, plant and equipment (PPE)</u>											

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PPE at cost/valuation (excl. finance leases)	3	375,809	1,349,583	1,344,676								
Leases recognised as PPE			–	–								
<u>Less: Accumulated depreciation</u>			66,265	69,233								
Total Property, plant and equipment (PPE)	2	375,809	1,283,319	1,275,443	–							
LIABILITIES												
<u>Current liabilities - Borrowing</u>												
Short term loans (other than bank overdraft)			1,556	1,475								
Current portion of long-term liabilities				–								
Total Current liabilities - Borrowing		–	1,556	1,475	–							
<u>Trade and other payables</u>												
Trade and other creditors		25,593	69,781	71,767								
Unspent conditional transfers		37,585	–	942								
VAT		–	–	2,627								
Total Trade and other payables	2	63,177	69,781	75,336	–							
<u>Noncurrent liabilities - Borrowing</u>												
Borrowing	4	6,852	–	–								
Finance leases (including PPP asset element)		–	5,395	4,102								
Total Noncurrent liabilities - Borrowing		6,852	5,395	4,102	–							
<u>Provisions - non-current</u>												
Retirement benefits		–	2,481	3,218								
<i>List other major provision items</i>												
Refuse landfill site rehabilitation			6,554	5,336								
Other												
Total Provisions - non-current		–	9,036	8,554	–							

MKHONDO LOCAL MUNICIPALITY 2013/14 – 2015/16 MTREF BUDGET

CHANGES IN NET ASSETS											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance											
GRAP adjustments											
Restated balance	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727	
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	93,775	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727
<u>Reserves</u>	-										
Housing Development Fund											
Capital replacement		32,350									
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	32,350	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	126,126	(12,053)	51,571	83,111	83,092	53,644	43,398	16,689	29,793	31,727

Total capital expenditure includes expenditure on nationally significant priorities:

Provision of basic services											
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Business plan for FMG includes two additional interns for capacitating Internal Audit Unit in the Office of the Municipal. Additional interns will be expected to be appointed in the new financial year 2013/14.

➤ **Budget & Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA, with full competence of all senior managers and the department will be currently filling the vacancies in Fleet management and Budget Office

➤ **Audit Committee**

An Audit Committee has recently been established and is fully functional; it holds quarterly meetings and review processes accordingly.

➤ **Service Delivery and Implementation Plan (SDBIP)**

The detail draft SDBIP document is compiled and due to be presented at Mayoral Committee thereafter it will be served before Council for approval, the draft SDBIP is also aligned and informed by the 2013/14 MTREF.

➤ **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

➤ **Budget Related Policies**

A list of all budget related policies were amended and will be approved during the 2013/14 MTREF by Council on the 31 May 2013, a list of all approved policies have been included as annexure.

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2.16 Municipal Manager's Quality Certificate

I _____, Municipal Manager of Mkhondo Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Mkhondo Local Municipality (MP303)

Signature _____

Date _____